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TO: DEPARTMENT OF STATE

INFO: PARIS

FROM: AMEMBASSY, ROME

DATE: June 8, 1967 6/9/67

SUBJECT: CIVAIR: EIGHTH SESSION OF US-ITALIAN CIVIL AIR NEGOTIATIONS IN ROME MAY 24, 17:00

REF: Rome A-1105 E

Attached as enclosure 1 of this airgram is the Embassy's informal record of the eighth session of the resumed US-Italian Civil Air Negotiations in Rome, May 24. Included as Appendix No. 1 is Italian Document No. 6.

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Drafted by: ECON:PCNarten/ad

Contents and Classification Approved by: ECON:FBWigginsJr

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Enclosure 1
From: Rome
A-1130

EIGHTH SESSION, MAY 24, 17:00

Absent: Dr. Malintoppi, Mr. Rodriguez

****

Ambassador Cattomazza: Mr. Assistant Secretary, Gentlemen, we have now reached the 24th of May, which means we are only a few days away from the deadline of the 1st of June. This means, and I say this both to ourselves and to you, that we must speed up our work in an effort to reach an agreement. With this view in mind, after various months of discussion, the Italian delegation has prepared a document - another document - Italian document No. 6, which we are now going to pass to you over the table.

We have intended in writing this document to make another, and we hope lasting, effort to breach our differences. We have taken account of all the discussions we have had here and outside this room, as well as the de facto situation as it has developed between the two countries and the history of our relations. We have tried to simplify our work by writing our route schedule and your route schedule. We ask to be forgiven for having undertaken this work for you, but may save some time.

As you will see, in our route schedule we have gone a long way to meet your requirements, and we have pruned as much as we thought we could from your previous demands. We have followed more or less the same principles with your route schedule. We do not think that the points which we have indicated in this exercise were totally exhausted, and we did indicate a few other points we are ready to take into consideration in order to facilitate your operation within the structure of your routes, in order to give you flexible operations. For instance, in the Near and Middle East we have not included Syria, but we have no objection to doing that in order to permit you to shift from one country in the Middle East to another.

The document rests on a few principles. First, reciprocity for a route around-the-world for both sides. Then, balancing your operations in the Mediterranean and Near East and Middle East with the concept of a route from Italy to Mexico. The addition of points in your route will allow you to accomplish an around-the-world route. We have said in our document that if the exchange of routes proves possible, then we will be in a position to modify our long-standing attitude on capacity.

I don't know whether you are going to minimize this modification of our attitude which has for us great importance - but in case you should fall into this trap - I would like to remember all the long history of our relations and how we have found it impossible to go on, because we have not been able to swallow the bitter pill of Bermuda principles. Today we are ready to swallow the pill, but that does not mean the pill is not very heavy for us to digest. In order to facilitate digesting it, we postulate the necessity of a confidential exchange of notes between the governments to allow them to commit themselves to take action when excessive frequencies on one side prove to be damaging to the carrier on the other side. We find such an exchange of notes absolutely indispensable for agreement.

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We have discussed at length in the last two days our proposal of a 3/4 freedom agreement. As I said before, and repeat now, we would certainly not be happy with such a solution, but we offer as an alternative in case we are not able to reach a larger agreement.

We have one definite divergence of view. I know you feel that no agreement at all is better than a 3/4 freedom agreement. Here too we have fallen into the trap of philosophy. We on the contrary feel that if we cannot reach agreement, then we would want to have stand on the table that we are ready to make a 3/4 freedom agreement. In doing so we have inspired ourselves by what you yourself said, "If you want to start from scratch, we are ready to start from scratch." We don't think a 3/4 freedom agreement would be the final goal, but a temporary measure to be enriched later with beyonds. The only thing is that we feel an agreement of that kind should rest on strict reciprocity, and that the towns you serve we should be able to serve. I sincerely hope we won't need to resort to a 3/4 freedom agreement, and that we can keep working on the proposals we have been working on already. Dr. Fugazzola will please distribute our document. (Italian document 6 is attached as Appendix I.)

(15 minute recess)

Mr. Loy: Mr. Ambassador, we have looked at Italian document No. 6. I take note, with full recognition of the fact, that it involves a diminution of your previous demands, in that the route schedule for the Italian carrier does not contain a route to Miami and beyond to Panama. I don't belittle that in the sense that I have assumed there was some interest in serving it, and its elimination in that sense is an effort to reduce the size and value of the Italian requirements to a more manageable level. In saying that, I have to add that I am sort of sorry if you find that a painful process, but it is only fair to point out it is a product of the unreasonable - not to say bizarre - starting point that the Italian side established in these talks.

I think, however, I am exhausting with these remarks the satisfactory or positive elements of document 6. I have to say that it is an incredible document to be handing across the table on May 24. I suppose I will have to take your word that you view it as a constructive step, but I have to say that it is a flop - a failure - and is not a constructive step. It is not a constructive step if we are going to have an agreement.

I don't know if we can come to an agreement on routes, but we certainly cannot if we are going to start with a proposal for the US which is as artificial, complex, and irrational as this one. It flies in the face of all we have been saying and brings us back to the point of our having to bargain for the right to leave the US from Tulsa, rather than Kansas City or Denver. You have arbitrarily taken out Zurich, and you have made it impossible to serve Ankara and Istanbul on the same

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flight. This kind of structure is not going to be palatable. This kind of schedule is not constructive. It is 25% worse than the UK kind of schedule, which only has four columns; you escalated that. It does not even have your hallowed principle of reciprocity. There are no points for Italy in column five. I am shocked to get this across the table. I note that you yourself may have some doubts: you say on page 4 that if the package cannot be bought, you will introduce, or re-introduce an alternative proposal.

Since you have made that proposal in the document I would be remiss if I did not say a word or two about the alternative you suggest. When you denounced the old agreement, you indicated that you were prepared to terminate it rather than to go on under its provisions. In other words you preferred no agreement ~~than~~ to an unacceptable agreement. So far as I can see, you too see that sometimes no agreement is better than some agreement. I want to reiterate that the US Government has looked in a responsible way at your suggested proposal for a 3/4 freedom agreement based on "strict reciprocity", and it maybe good, or it may be bad, but its not our agreement.

Let me say this. I suppose at this stage in the proceedings it is as incumbent on me as on you to try not only to speak rather clearly and react rather clearly to proposals, but also to try to find ways out. I hope what I have said meets the test of speaking clearly and reacting clearly about Italian document 6. It is unacceptable as a document and as a starting point. I don't really know how to be very constructive except to say this: I suppose that if we read with great care this document, we can perceive - maybe - some indication as to whether any of our beyond points set forth in our document No. 4 are in some way difficult for you. It is not going to be an easy task, but maybe there is an element there that might be useful. The only thing I can think of doing - and if it is not useful tell me ~~K~~now - is for us to go back to our document No. 4 as we orally amended it the other day, and see if in that process we can make any change that would be useful to you in any of your concerns that seem to be reflected by this careful structurization. I want to stress that any such document would not have column 1 or its equivalent for either side. And I also stress that our document would be either in its terms or in its intents applicable to the carriage of traffic of every sort - including passengers and cargo, separately or in combination. The combination of documents - that is any revised route schedule for us and a route schedule for you - would, I have to tell you, not look much different from what we talked about May 17. Maybe we could make some adjustments in our schedule and maybe we can get some insight into that from Italian document No. 6, but except for that suggestion I cannot be very helpful and indeed that is the only suggestion I have.

(15 minute recess)

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Ambassador Capomazza: Mr. Assistant Secretary, Gentlemen. I had not expected an enthusiastic reaction to our document, but I am a little disappointed at the reaction of the Assistant Secretary - not a little bit, very disappointed at his reaction. I appreciate that he did appreciate the fact that we took off from our previous schedule the line Miami-Panama and beyond to South America. I must admit that this has been a very responsible gesture on the part of the Italian delegation, and it was not an easy one to decide. We would expect not only to be paid for that, but it should not be taken as a precedent during the rest of these talks. It is not to be repeated on our side in ten days or fifteen days' time.

Let us take the facts as they are. We are sacrificing on the altar of an agreement what is on our side an important moral and cultural interest in South America.

We did not hear any criticism of the substitutions made in your schedule. We keep hearing you say "If our document has points that disturbed you, you can consider modifying it." If you think so, why don't you come out and tell us what you are ready to prune. We just can't accept your document No. 4 not only for its form but for its substance. We consider that the question of the first or fifth columns does not interfere with the substance of our proposal. We have made a great effort. Now if you don't exclude the possibility to exclude some points, let us know if you are ready to make adjustments in your routes. If you are, please do so. We've perhaps made some mistakes in drawing up a route schedule for you but in spite of all of your talking in four months you have done nothing to modify them yourselves. If you will do something along these lines the negotiations will move. Otherwise they won't move. That is all I can say at this stage except that we are not in a position to modify another time our route schedule.

Mr. Loy: Mr. Ambassador. I note that you stress your disappointment at our reaction, and I guess we understand that it is usually disappointing when we make moves that don't work. However, our response was seriously meant and was itself certain enough to be helpful and was frank. I think we ought to leave the matter as you have. We would be prepared to proceed along the path you have suggested and deliver to you tomorrow a response in the form of a proposed route schedule. I would suggest that we meet early in the morning, except that I gather tomorrow is a holiday, and if that is not feasible we have to respect that, but in the absence of other suggestions we could meet at 10:30 a.m.

Ambassador Capomazza: In a moment we will tell you if the room will be available. We have no objection, in spite of the holiday to work tomorrow, if our labor can be useful and constructive. We do appreciate that you will give us a document, and we hope this document will bring us some light. But do take notice that as far as the Italian route schedule is concerned, we have gone to the utmost in our concessions and I could not reduce it more even if you could praise me very highly as a result. There are things that neither praise nor friendship can bring me to do. In structurizing, though, things can be done. Tomorrow is Corpus Domini, an important religious holiday. In the name of God we are ready to work with you.

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Appendix 1
Enclosure 1
From: Rome
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ITALIAN DOCUMENT No. 6

PROPOSAL FOR A ROUTE EXCHANGE OF MIXED SERVICES

Having reached the 24th May without any positive result yet, the Italian delegation deems it necessary, in order to save time, to put across the table the following proposal, accompanied by the following observations:-

Route Schedule for the United States as follows:

U.S.A. AIRLINE OPERATIONS FROM, TO AND THROUGH ITALY

Points in USA	Intermediate Points	Points in Italy	Points Beyond	Points in USA
1A				
New York San Francisco Los Angeles Baltimore Philadelphia Boston Chicago Oklahoma Tulsa Detroit St. Louis	Paris Geneva Lisbon Barcelona Nice	Rome Milan	-	-
1B				
New York Baltimore	Paris	Rome	Istanbul Ankara	-
2B				
New York Baltimore	Paris	Rome	Beirut Teheran	-
3B				
Chicago New York	Paris	Rome	Athens Cairo	- -
4B				
Philadelphia Boston New York	Lisbon Madrid	Rome	Athens Cairo	-
5B				
New York	Paris	Rome	Athens Tel Aviv	-

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Appendix 1
Enclosure 1
From: Rome
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Points in USA	Intermediate Points	Points in Italy	Points Beyond	Points in USA
6B Los Angeles New York	Paris	Rome	Athens Istanbul or Ankara Beirut or Cairo or Tel Aviv Teheran Daharan Bombay or New Delhi or Ceylon Bangkok Hong Kong Tokyo	San Francisco Los Angeles

The Italian delegation is willing to take into consideration from U.S. document No. 4, the following points beyond Rome, to be added to the above U.S.A. Route Schedule if they can be structurized in agreement between two delegations:

Rumania, Bulgaria, Iraq, Afghanistan.

Route Schedule for Italy as follows:

ROUTES REQUESTED FOR THE ITALIAN CARRIER

Points in Italy	Intermediate Points	Points in USA	Points Beyond	Points in Italy
1A Rome Milan Naples Turin	Paris London Lisbon Montreal	New York Chicago Boston Atlanta Dallas *	- -	- -
1B Rome Milan	Paris	Atlanta	Mexico	-
1C Rome Milan	Montreal	Los Angeles	Tokyo	

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*The points of Boston-Chicago and Atlanta-Dallas can also be operated as co-terminals.

The Italian delegation feels that the exchange of routes as proposed would rest on the following considerations:

a) reciprocity for a route around the world for both countries.

b) balancing of U.S. operations (6 routes) to the Mediterranean and Near and Middle Eastern countries, through the concession to Italy of a route from Atlanta to Mexico.

c) confirmation of all present US routes, and expansion of these operations by the addition of points not only necessary for the around the world flight, but also some of the other points originally indicated in U.S. document No. 4, subject to an acceptable structurization.

d) If this exchange of routes proves possible, the Italian delegation will be in a position to modify its long-standing attitude on the question of capacity, with the understanding that, by a confidential exchange of notes, the two Governments would firmly commit themselves to take action with the companies in all cases when an excess of capacity should prove damaging to the mutual air relations of the two countries.

The Italian delegation feels that the above described package deal would be fair and equitable, and in the interests of the travelling public.

The Italian delegation after almost five months of extensive negotiations; having explored all possible ways to reach agreement, feels that if a package cannot be concluded along the lines just mentioned, it would be preferable to put forward the alternative of a third and fourth freedom agreement, rather than to have no agreement at all, since it would pave the way to future amendments.

Such a third and fourth freedom agreement should be based on strict reciprocity, allowing the U.S. and Italian carriers to serve the same points in both countries.

Italy has no objections to leave to the American delegation the choice of the points to be served, whatever their number, as long as the principle of reciprocity is respected.

Likewise, the agreement could also include a choice of intermediate points.

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